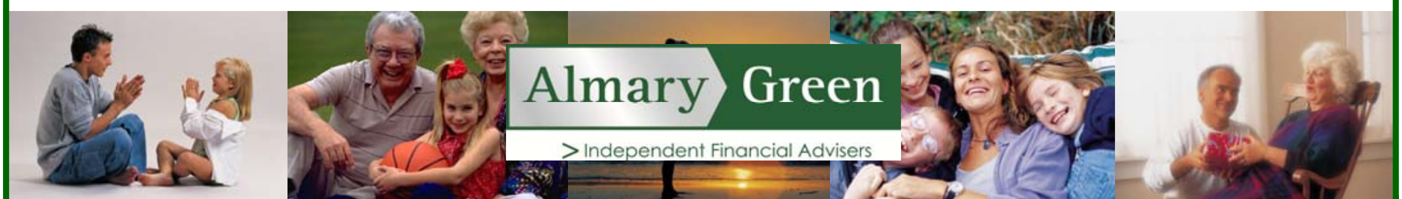
Workplace Pension Schemes

Obligations for both Employers and Employees

Under the Workplace Pension legislation, all employers in the UK must give their employees access to a Qualifying Workplace Pension Scheme, automatically enrol their workers and make employer contributions to their workers' funds.

Key Points:

- All employers have to comply, irrespective of size.
- All eligible employees are to be auto-enrolled into a Qualifying Workplace Pension Scheme (QWPS)
- A QWPS can be either trust based, contract based, defined benefit or defined contribution.
- An eligible jobholder is one aged between 22 and the State Pension Age with earnings above £10,000 per year.
- Qualifying earnings are those that fall between a specific band of the National Insurance Primary Threshold (£5,824 and £42,385 per year in 2015/2016).
- Qualifying earnings include basic pay along with commission, overtime, bonus and statutory payments such as sick pay and maternity pay.
- Contributions will be made by the employer, the employee and through the addition of tax relief.
- From staging to March 2018, contributions will be 2% of qualifying earnings with at least 1% from the employer.
- From April 2018 to March 2019, contributions will be 5% of qualifying earnings with at least 2% from the employer.
- From April 2019 onwards, contributions will be 8% of qualifying earnings with at least 3% from the employer
- Other contribution rates may apply if you use a different definition of pensionable earnings rather than banded earnings.
- Employees not subject to auto-enrolment (earning below £10,000, or aged 16-22, or over the State Pension Age and under 75) are known as non-eligible jobholders, can opt-in and will qualify for employer contributions if they have earnings within the qualifying earnings band.
- Employees not subject to auto-enrolment and who earn under £5,824 in 2015/2016, are known as entitled workers - no employer contributions are required but employees will still have the right to auto-enrol.
- Once auto-enrolled, employees can opt out but they must be re-enrolled every three years.
- Employers must not in any way influence the decision of an employee or potential employee as to whether to auto-enrol or opt out – penalties of up to £50,000 or two years imprisonment will apply.
- Employers with 30 or more staff reached their staging dates by January 2016 and should already have a scheme in place. Smaller employers must comply from a date depending on their number of staff. For example:
  - Employers with less than 30 staff to comply between 1 January 2016 and 1 April 2017.
  - Employers whose businesses started after October 2012 to comply between 1 May 2017 and 1 February 2018, depending on the date on which the business started.
- See our website www.almarygreen.com/corporate/employee-benefits/automatic-enrolment for more details.



National Employment Savings Trust—NEST

For employers who want to just meet the requirements, they will be directed towards NEST.

NEST has been established and will be managed like a trust-based defined contribution occupational pension scheme, subject to the existing regulatory regime and regulated by The Pensions Regulator. The main difference is that there will be multiple employers participating rather than a traditional single employer.

The basics are:

- Employers will be able to adopt NEST as their qualifying pension scheme.
- The same rules on auto-enrolment and contributions apply as other qualifying pension schemes.
- Scheme administration by TATA.
- Limited choice of investment funds administered by State Street.
- Restricted Range of Investment Funds.
- Maximum annual contribution of £4,700 (for the 2015/16 tax year) which will increase each year in line with earnings.
- This limit to be reviewed in 2017.
- No transfers in or out of the scheme in the first five years of its operation.
- Retirement from age 55 onwards with same pension and pension commencement lump sum options available under other pension arrangements (apart from death benefit lump sums which will not be payable on a discretionary basis and will, therefore, potentially be subject to Inheritance Tax).
- NEST will have an annual charge of 0.3% of the fund value along with an additional charge of 1.8% of the contributions paid each year. This additional charge is to be used to recoup the costs of setting up NEST – it is anticipated that this will take at least 20 years.

What should employers do now?

Employers must assess their individual start date for compliance with the new pensions regime and start implementing an action plan to consider the implications of the new regime and potential impact of the costs.

The top priorities should be:

- Identify the likely cost impact of the proposals
- Consider the options available for mitigating this
- Whether future pension provision should be made through any existing scheme or NEST

Advice is the key!

Contact us to arrange a free initial consultation to discuss how this may affect you

How to find out more

For more information, contact our group schemes expert, Robert Clarke on 01603 706740 or email him at robert.clarke@almarygreen.com.

This document has been prepared with all possible care to ensure its accuracy. It is based on our understanding of legislation and HMRC practice as at 6 April 2015 and is supplied to clients of Almary Green Investments Ltd purely for their information.

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